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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Between

FIRST SECURITY STATE BANK,

AS Trustee for

Itel Leasing International, Inc.

Under a Trust Agreement Dated

as of March 15, 1975

and

PICKENS RAILROAD COMPANY

Dated as of March 15, 1975

[Covering 100 70-ton 50'6" Box Cars]

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1975, between FIRST SECURITY STATE BANK, a state banking corporation, not in its individual capacity but solely as Trustee pursuant to a Trust Agreement dated as of March 15, 1975, with ITEL Leasing International Inc. (said bank being hereinafter called the Lessor and said corporation being hereinafter called the Beneficiary), and PICKENS RAILROAD COMPANY, a South Carolina corporation (hereinafter called the Lessee).

WHEREAS the Lessor has entered into a Conditional Sale Agreement dated as of March 15, 1975 (hereinafter called the Conditional Sale Agreement), with NATIONAL RAILWAY UTILIZATION CORPORATION (hereinafter called the Builder), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the railroad equipment described in Annex A hereto; and

WHEREAS the Builder has assigned certain of its interests in the Conditional Sale Agreement to FIRST SECURITY BANK OF UTAH, N.A., as Agent under a Finance Agreement dated as of March 15, 1975 (said Agent hereinafter, together with its successors and assigns, called the Vendor); and

WHEREAS the Lessee desires to lease all the units of such equipment or such lesser number as are delivered, accepted and settled for under the Conditional Sale Agreement on or prior to November 30, 1975 (hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the Conditional Sale Agreement:

§ 1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Conditional Sale Agreement. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the lessor

under the Conditional Sale Agreement. Upon such delivery, the Lessee, at its own expense, will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be acceptance, to accept delivery of such Unit and to execute and deliver to the Lessor and to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Conditional Sale Agreement, stating that such Unit has been delivered, inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 4 hereof and Article 9 of the Conditional Sale Agreement; whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 2. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease:

(a) on December 1, 1975, an amount equal to the sum of (i) interest on the Purchase Price (as such term is defined in the Conditional Sale Agreement) of each Unit subject to this Lease for each day elapsed from and including the Closing Date (as such term is defined in the Conditional Sale Agreement) for such Unit to December 1, 1975, at a rate per annum equal to (x) 4% above (y) the lowest minimum lending rate publicly quoted by Bank of America, N.T.&S.A. for loans of 90-day maturities to substantial commercial borrowers as in time to time in effect, changing on the first day of the month following any change in such rate (such lowest rate being hereinafter called the Prime Rate) and (ii) interest on the Conditional Sale indebtedness (as such term is defined in the Conditional Sale Agreement) for each day elapsed from and including November 1, 1975, to December 1, 1975, at a rate per annum equal to (x) 4% above (y) the Prime Rate, (iii) .4421 of the Purchase Price of each Unit then subject to this Lease; and (iv) 8-3/4% of the Gross Revenues (as hereinafter defined) earned from each such Unit then subject to this Lease from the Closing Date for such Unit to September 1, 1975;

(b) on January 1, 1976, and on the first day of each month thereafter to and including November 1, 1990, an amount equal to the sum of (i) the principal

and interest payments then due on the Conditional Sale Indebtedness, and (ii) .2800% of the Purchase Price of each such Unit; and

(c) On January 1, 1976, and on the first day of each month thereafter to and including March 1, 1991, an amount equal to 8-3/4% of the Gross Revenues earned during the fourth month preceding the date of such payment from each such Unit then subject to this Lease.

The portions of rental payable under this § 2 which are computed on the basis of interest shall be determined on the basis of a 360-day year and actual days elapsed in each month. If any of the rental payment dates referred to above is not a business day (as defined in the Conditional Sale Agreement), the rental payment otherwise payable on such date shall be payable on the next succeeding business day.

For purposes of this § 2, the term Gross Revenues with respect to each Unit shall mean the total of all income earned and received by the Lessee for use of such Unit by others, including all income received from users pursuant to the Interstate Commerce Commission Car Hire Rate Table in effect from time to time during the term of this Lease. The Lessee will, at or within a reasonable time after the time each such monthly payment is made furnish the Lessor with a written verification of such payment in a form satisfactory to the Lessor.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease at the principal office of the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Conditional Sale Agreement and second, so long as no event of default under the Conditional Sale Agreement shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available Salt Lake City or Federal funds in the city where such payment is to be made not later than 11:00 a.m. Salt Lake City time.

As soon as reasonably possible after the execution of this Lease, the Lessor and the Lessee agree to establish

an escrow account at First Piedmont Bank & Trust Company of Greenville, South Carolina, in the name of the Lessor into which the Lessee will deposit all Adjusted Gross Revenues (as hereinafter defined) earned and received by the Lessee for the use of the Units by others. Adjusted Gross Revenues shall mean Gross Revenues (as previously defined in this § 2) minus the sum of (i) an amount equal to the monthly rental payments payable pursuant to subclauses (b) and (c) of this § 2 and (ii) an amount equal to \$2.35 per Unit per day for each day of the month in which such Gross Revenues were earned with respect to such Unit. Such adjustments to Gross Revenues will be made with respect to the months for which Gross Revenues shall have been received by the Lessee. The Lessee hereby agrees to use the funds so escrowed exclusively, and the escrow holder will be instructed to release the escrow funds only, to purchase a total of twelve new and unused standard gauge railroad box cars substantially similar to the Units. Each such unit of new equipment so purchased shall conform to the requirements for design, quality and component parts set forth in Article 2 of the Conditional Sale Agreement with respect to the Units. The Lessee agrees to grant to the Lessor a security interest in such units of railroad equipment, free and clear of any liens, unpaid charges (including taxes) encumbrances and other security interests. After the Lessee has filed an appropriate instrument with respect to the granting of such security interest, in a form satisfactory to the Lessor, in the manner set forth in § 16 hereof, the Lessor shall release the security interest granted it by the terms of the Security Agreement dated as of March 15, 1975, between the Lessor and the Lessee and the Lessor shall file an appropriate instrument in the manner set forth in § 16 hereof so releasing such interest. The Lessor agrees that interest earned on the funds so escrowed are for the account of the Lessee. Notwithstanding anything contained in this paragraph, if the Lessee has for any reason failed to purchase the twelve above-mentioned units of equipment or any thereof with the funds so escrowed or has not subjected them to the above-mentioned security interest in favor of the Lessor by December 1, 1977, the Lessee agrees that it will immediately purchase twelve such units of equipment with funds of the Lessee not in said escrow account, if necessary, and will subject such units to said security interest.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abate-

ments, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future laws to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided, unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of §§ 6, 9, and 12 hereof, shall terminate on December 1, 1990, except that the obligation of the Lessee to make the rental payments due and payable under subclause (c) of § 2 hereof shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations under this Lease and in and to the Units are subject to the rights and remedies of the Vendor under the Conditional Sale Agreement. If an event of default should occur under the Conditional Sale

Agreement, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Annex A hereto, or in the case of any Unit not therein listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the following words:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT
FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c"

or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the Conditional Sale Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Conditional Sale Agreement shall have been filed recorded and deposited and (ii) the Lessee shall have furnished to the Vendor and the Lessor an opinion of counsel to the effect set forth in subparagraph C of § 14 hereof in respect of such statement.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

§ 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States Federal income tax [and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state, county or city income taxes or franchise taxes measured by net income based on such receipts or gross receipts taxes [other than gross receipts taxes in the nature of sales or use taxes], up to the amount of any such taxes which would be payable to the state, county and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereinafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Conditional Sale Agreement. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the Conditional Sale Agreement not covered by the foregoing paragraph of this § 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to such Article.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition pursuant to this § 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

§ 6. Payment for Casualty Occurrences; Insurance.
In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences), during the term of this Lease, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor with respect thereto. The Lessee shall, on the monthly rental payment date next succeeding notice of the Casualty Occurrence, pay to the Lessor a sum equal to (i) the aggregate Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Annex B hereto referred to below and (ii) the arrears rental payable quarterly for such Unit which has accrued to such rental payment date. Concurrently with each payment of Casualty Value pursuant to this § 6 the Lessee shall file with the Lessor and the Vendor a certificate of an officer of the Lessee setting forth the Casualty Value of each Unit as to which such payment is being made. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the

proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor less reasonable expenses of disposition.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite the number of such payment date.

Except as hereinabove in this § 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

Any condemnation payments received by the Lessor in respect of Units suffering a Casualty occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this § 6. If the Lessor shall receive any such condemnation payments after the Lessee shall have made payments pursuant to this § 6 without deduction for such condemnation payments, the Lessor shall pay such condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such condemnation payments shall remain the property of the Lessor.

The Lessee will procure, maintain and pay for all risk, physical loss and damage insurance in an amount equal at all times to the Casualty Value of the Units then subject to this Lease. The Lessee warrants that the foregoing insurance coverage shall be in effect at the execution of this Lease. Such insurance shall name as additional insureds (as their interests may appear) and as the sole loss payees the Lessor and/or any holder of a security interest in the Units. Such insurance shall provide that it cannot be canceled except upon 30 days' prior written notice to the Lessor and any holder of a security interest in the Units.

§ 7. Reports. On or before March 31 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of the Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other

than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Lease, in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by § 4 hereof and Article 9 of the Conditional Sale Agreement have been preserved or replaced. The Lessor and the Vendor shall have the right by their respective agents, to inspect the Units and the Lessee's records with respect thereto, at such reasonable times as the Lessor or the Vendor may request during the continuance of this Lease.

§ 8. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and Indemnification. The Lessor makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the material, equipment or workmanship in, the Units delivered to the Lessee hereunder, and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose or as to title to the Units or any component thereof, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for account of the Lessor and/or the Lessee, as their interests may appear, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the Conditional Sale Agreement. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation,

the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor hereunder or under the Conditional Sale Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair and faithfully meet its obligations in respect of the condition of the Units upon expiration of the term of this Lease as set out in § 13 hereof.

Any and all additions to any Unit and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free of any lien, charge, security interest or other incumbrance (except for those created by the Conditional Sale Agreement) shall immediately be vested in the Lessor and the Vendor as their respective interests appear in the Unit itself.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of the Conditional Sale Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 13 of this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwith-

standing the full payment of all obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any part of the rental provided in § 2 hereof, and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as such Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred

by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

E. any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceeding shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises

of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value, if any, of the rentals which the Lessor reasonably estimates to be obtainable by the Lessor for the use of the Unit during such period, such present value to be computed in each case on a basis of 6% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental, and (iii) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall, in the reasonable opinion of the Lessor, cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the Depreciation Deduction (as defined in § 15 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 15 or any other

provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall, in the reasonable opinion of the Lessor, cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the Interest Deduction (as defined in § 15 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 15 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make rental payments regardless of any offset or claim which may be asserted by the lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 10. Return of Units Upon Default. If this Lease shall terminate pursuant to § 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall, at its own cost, expense and risk:

A. forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic

and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or such other premises as the Lessor reasonably may designate, or, in the absence of such designation, as the Lessee may select; provided, however, that such storage on the tracks of the Lessee will not be required if such storage will interfere with the operations of the railroad of the Lessee;

B. permit the Lessor to store such Units on such tracks or other premises at the risk of the Lessee until such Units have been sold, leased or otherwise disposed of by the Lessor; and

C. transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. In the event that the Units or any thereof are sold pursuant to the exercise of the Vendor's remedies under the Conditional Sale Agreement, the Lessee shall pay to the Vendor the per diem interchange for each such Unit which shall not have been assembled, delivered and stored, as hereinbefore provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser thereof. The Lessee agrees to provide the storage facilities for the Vendor specified in the second paragraph of Article 16 of the Con-

ditional Sale Agreement and to permit the inspection provided therein.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor.

So long as there shall be no default under this Lease or under the Conditional Sale Agreement, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the Conditional Sale Agreement, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

So long as there shall be no default under this Lease or the Conditional Sale Agreement, the Lessee shall be entitled to the possession of the Units and shall be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines or railroad over which the Lessee

or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and (iii) to sublease any Unit or Units to other companies incorporated under the laws of any state of the United States or the District of Columbia, for use in connection with their operations, but only upon and subject to all the terms and conditions of this Lease and the Conditional Sale Agreement; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation (subject to the provisions of § 2 hereof) for such use from other railroads and companies so using any of the Units.

Nothing in this § 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition be in any default under any provision of this Lease.

All the rights of the Lessor hereunder (including but not limited to the rights under §§ 5, 6, 9 and 15 hereof) shall inure to the benefit of the Lessor's assigns, and whenever the term Lessor is used in this Lease, it shall apply and refer to each assignee of the Lessor.

§ 12. Right of First Refusal; Termination. In the event the Lessor elects to lease or to sell the Units to third parties at the expiration of the initial or any extended term of this Lease, as the case may be, the Lessor shall in a commercially reasonable manner solicit offers to lease or buy such Units, as the case may be, and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable offer, and the Lessee shall have a right of first refusal exercisable by written notice, delivered within

15 days of the receipt of said copy, to lease or purchase such Units, as the case may be, at the rental or sale price set forth in such offer.

The Lessee shall have the right, at its option, on at least 60 days' prior written notice to the Lessor, to terminate this Lease or any extended term thereof on the first rental payment date following the expiration of such notice. On such rental payment date the Lessee shall pay to the Lessor the Termination Value (as hereinafter defined) for all Units then subject to this Lease as of the date of such payment in accordance with Annex C hereto. The Termination Value of each such Unit as of such rental payment date shall be that percentage of the Purchase Price of each such Unit then subject to this Lease as is set forth in Annex C hereto opposite the number of such rental payment date. Upon the making of such payment by the Lessee in respect of each such Unit, the rental for such Unit shall cease to accrue, the term of this Lease shall terminate and the Lessee shall return each such Unit to the Lessor pursuant to § 13 hereof.

On or prior to December 1, 1976, but not before June 1, 1976, the Lessor shall have the right, at its option, on at least 180 days' notice to terminate this Lease if it is unable, in good faith, to arrange for refinancing of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) at an interest rate per annum of not more than 12%. If the Lessor so terminates this Lease, the Lessee shall have no further obligation with respect to the Units other than to furnish such documentation to Lessor as the Lessor reasonably determines is necessary to assign all of the Lessee's interest in the Units, to transfer as soon as reasonably possible to the Lessor any Gross Revenues earned on the Units after such date and to furnish documentation satisfactory to the Lessor as soon as reasonably possible establishing the location of each such Unit.

§ 13. Return of Units Upon Expiration of Term.
As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, the Lessee will (unless such Unit is sold to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or other premises as the Lessor reasonably may designate, provided that such storage on the Lessee's storage tracks does not interfere with the

operation of the Railroad of the Lessee or such other place or places as the Lessor may reasonably designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks or other premises for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. The Lessee agrees to transport the Units during said three-month period to any reasonable place designated by the Lessor, the movement of such Units to such places (other than to the storage tracks of the Lessee) to be at the expense and risk of the Lessor except that the Lessee shall pay any such expenses of the Lessor to the extent of any Gross Revenues (as defined in § 2 hereof) earned by such Units during such movement, and the Lessee shall use its best efforts to realize such Gross Revenues on such Units during such movement. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this § 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear expected, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction.

During the period of time during which the Units are being returned on or after the original or any extended term of this Lease, the Lessee will pay to the Lessor as "holdover rent" for each such Unit being returned, the daily equivalent of the rental payment in effect pursuant to sub-

clause (b) of § 2 of this Lease on the last rental payment date thereunder for each day elapsed from the date of expiration of the original or any extended term of this Lease, as the case may be, to the date each such Unit is returned to the Lessor pursuant to this § 13.

§ 14. Representations and Warranties of Lessee and Opinion of Counsel. The Lessee represents and warrants as follows:

A. the Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of the State of South Carolina, with adequate corporate power to own its properties and to carry on its business as now conducted and to enter into this Lease;

B. this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a legal, valid and binding agreement of the Lessee, enforceable in accordance with its terms;

C. this Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, and such filing and recordation will protect the Lessor's interests in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state, local or foreign government or agency thereof is necessary in order to protect the interests of the Lessor in and to the Units in the United States of America;

D. no approval is required from any public regulatory body with respect to entering into or performance of this Lease;

E. the entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound;

F. no mortgage, deed of trust or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessee, now attaches or

hereafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units; and

G. all Units will qualify for "incentive income" as that term is defined in the Interstate Commerce Commission Car Hire Rate Tables, in effect as of the Closing Date for such Units.

On each Closing Date (as defined in the Conditional Sale Agreement) the Lessee will deliver to the Lessor and the Vendor counterparts of the written opinion of outside counsel for the Lessee, addressed to the Lessor and the Vendor, in scope and substance satisfactory to the Lessor, the Vendor and their respective counsel, to the effect set forth in subparagraphs A through G in the immediately preceding paragraph.

§ 15. Federal Income Taxes.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) the maximum depreciation (hereinafter called the Depreciation Deduction)

(A) based on a 12-year depreciable life authorized with respect to a Unit pursuant to Section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25 in accordance with the Revenue Procedure 72-10, as supplemented to the date hereof, taking into account an estimated Gross Salvage Value of 20% of the Purchase Price (as defined in the Conditional Sale Agreement) of such Unit which will be reduced by 10% as provided in Section 167(f) of the Code.

(B) utilizing either the "modified half-year" or the "half-year" convention pursuant to Reg. 1.167(a)-11(c)(2), and

(C) using a method of depreciation consisting initially of double declining balance method and thereafter switching to the sum-of-the-years digits

method without the consent of the Commissioner of Internal Revenue pursuant to Section 167(m) of the Code and Reg. 1.167(a)-11(c); and

(ii) the deduction under Section 163 of the Code (hereinafter called the Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to the Conditional Sale Indebtedness.

(b) If the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to Lessor, all or any portion of the Interest Deduction or the Depreciation Deduction as are provided to an owner of property with respect to a Unit (hereinafter called a Loss), then the monthly rental rate, Casualty Values (as defined in § 7 hereof) and Termination Values (as defined in § 12 hereof) applicable to such monthly rental payment date after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's net return and after-tax cash flow over the term of the Lease in respect of such Unit to equal the net return and after-tax cash flow that would have been available if the Lessor had been entitled to utilization of all of the Interest Deduction or the Depreciation Deduction and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor attributable to the Loss.

In determining any adjustment in the monthly rental rate, Casualty values and Termination Values under this § 15(b), Lessor shall give due consideration to (i) any subsequent tax benefits to the Lessor as a result of a Loss or attributable to the exclusion from Lessor's income which would have otherwise been includible therein or attributable to the amounts by which the deduction for depreciation in later years will exceed the amounts which would have been allowable had there not been reductions in the amounts of depreciation allowed for earlier years and (ii) the fact that state and local income taxes are deductible for Federal income tax purposes.

(c) For purposes of this § 15, a Loss shall occur upon the earliest of (1) the happening of any event (such

as disposition or change in use of any Unit) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. The Lessor shall be responsible for, and shall not be entitled to a payment under this Section on account of, any Loss due to one or more of the following events: (1) a disposition due to sale of the Unit or the lease thereof by the Lessor prior to any default by the Lessee, or (2) a failure of the Lessor to timely or properly claim the Interest Deduction or Depreciation Deduction for the Unit in the tax return of the Lessor, or (3) a disqualifying change in the nature of the Lessor's business or liquidation thereof, or (4) a foreclosure by any person holding through the Lessor of a lien on the Unit, which foreclosure results solely from an act of the Lessor, or (5) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value, if such Casualty Value or Termination Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section, or (6) the failure of the Lessor to have sufficient taxable income against which to apply such Depreciation Deduction or Interest Deduction.

In the event (i) Lessor proposes to make a payment to the Internal Revenue Service of a tax increase resulting from a Loss, (ii) there is an adjustment of the tax return of the Lessor to reflect such a Loss, or (iii) a claim shall be made by the Internal Revenue Service with respect to the disallowance in whole or in part of the Depreciation Deduction or the Interest Deduction, the Lessor hereby agrees promptly to notify Lessee of such event and not to make payment of such tax until the 30-day period referred to in (a) of the following sentence shall have expired. The Lessor agrees to take such action in connection with contesting such Loss, adjustment or claim as Lessee shall reasonably request from time to time, provided that: (A) within 30 days after receipt by Lessee of the notice of such event referred to above, Lessee shall have requested that the Lessor continue to claim the deduction being threatened or contest any such Loss, adjustment, claim or assertion of the Internal Revenue Service, (B) the Lessor, at its sole option, but after giving consideration to any recommendation by Lessee, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such Loss, adjustment or claim and may, at its option,

either pay the tax claimed and sue for a refund in the appropriate United States District Court and/or the United States Court of Claims, as the Lessor shall elect, or contest such claim in the Tax Court of the United States, (C) Lessee shall, if requested by the Lessor to do so, have furnished the Lessor with an opinion of independent tax counsel satisfactory to the Lessor to the effect that a meritorious defense exists to the claim or assertion of the Internal Revenue Service and (D) Lessee shall have indemnified the Lessor in a manner satisfactory to Lessor for any liability or loss which the Lessor may incur as the result of continuing to claim the deduction being threatened or contesting such claim and shall have agreed to pay the Lessor on demand all costs and expenses which the Lessor may incur in connection with continuing to claim such deduction or contesting such claim, including, without limitation, (x) reasonable attorneys' and accountants' fees and disbursements, and (y) the amount of any interest or penalty which may ultimately be payable to the United States or any state as the result of contesting such claim. If a refund with respect to a Unit of income tax is obtained with respect to a Loss and the monthly rental rate has been increased to reflect such Loss, the monthly rental rate applicable to such unit shall, on and after the next succeeding monthly rental payment date, be reduced by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's net return and after-tax cash flow over the term of the Lease in respect of such item to equal the net return and after-tax cash flow that would have been realized by the Lessor prior to such Loss and the Lessor shall forthwith pay to the Lessee any interest paid by the United States on any such refund. If the term of this Lease has expired or is insufficient to permit Lessee to recover the amount of the reduction provided under the preceding sentence, the amount of such reduction shall forthwith be paid to the Lessee by the Lessor.

(d) All the Lessor's rights and privileges arising from the indemnities contained in this § 15 shall survive the expiration or other termination of this Lease with respect to any or all items leased hereunder, and such indemnities are expressly made for the benefit of, and shall be enforceable by the Lessor, its successors and assigns.

(e) The Lessor will make, for each taxable year of the Lessee in which possession of the Units is transferred under this Lease by the Lessor to the Lessee, an irrevocable

general election satisfactory to the Lessee as conforming to the requirements and regulations promulgated under the Code, as the same may from time to time be amended (the "Regulations") to treat the Lessee as having purchased all the Units during such taxable year for purposes of any Investment Tax Credit or Job Development Credit allowed by Section 38 and related sections of the Code which may be applicable with respect to the Units. The Lessor shall further deliver timely statements to the Lessee evidencing such general election and complying with the Regulations; it will make filings with the Internal Revenue Service required by the Regulations and requested by the Lessee, and it will do or perform any other act desirable or necessary to assign to the Lessee, with respect to the Units, possession of which is transferred by the Lessor to the Lessee, any such credit against Federal income taxes afforded by the Code, as the same may from time to time be amended, with respect to the purchase or acquisition of the Units.

§ 16. Recording; Expenses. Prior to the delivery and acceptance hereunder of any Unit, the Lessee will cause this Lease to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, recording and depositing and refiling, reregistering, rerecording and redepositing required of the Lessor under Article 18 of the Conditional Sale Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the Lessor, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Conditional Sale Agreement or the first assignment thereof by the Builder, and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording, depositing, refiling, reregistering, rerecording and/or redepositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

The Lessor will pay the expenses of financing (including commissions, legal fees and printing, etc.) and other related expenses normally associated with such trans-

action. The Lessee will pay its own legal fees and other expenses (including expenses and fees imposed or incurred in carrying out its responsibilities under this § 16).

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also, to the extent legally enforceable, an amount equal to 1% per annum in excess of the rate payable on the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, c/o First Security Bank of Utah, N.A., attention: Trust Department, Corporate Division, 79 South Main Street, Salt Lake City, Utah 84111, with a copy to the Beneficiary at One Embarcadero Center, San Francisco, California 94111, attention of IteL Leasing Corporation, Contract Administrator;

if to the Lessee, at P. O. Box 8931, Greenville, South Carolina 29204;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

§ 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited

or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements,

oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

§ 20. Execution. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although for convenience this Lease is dated as of the date first above set forth, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of South Carolina; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, registering, recording or depositing hereof and of any assignment hereof or out of the marking on the Units as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, registered, recorded or deposited and any rights arising out of the marking on the Units.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

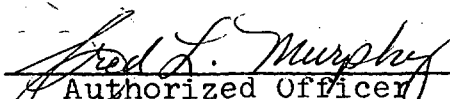
FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by


Authorized Officer

[Corporate Seal]

Attest:


Authorized Officer

PICKENS RAILROAD COMPANY,

by

Vice President

[Corporate Seal]

Attest:

Secretary

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 4th day of June 1975, before me personally appeared Jay D. Knudsen, to me personally known, who, being by me duly sworn, says that he is an authorized officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Dellie J. Longfield
Notary Public

[Notarial Seal]

My Commission Expires

July 22, 1978

STATE OF SOUTH CAROLINA,)
) ss.:
COUNTY OF GREENVILLE,)

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Vice President of PICKENS RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

ANNEX A

Type	Builder's Specifications	Builder's Plant	Maximum Quantity	Lessee's Road Numbers (Both Inclusive)	Maximum Unit Base Price	Total Base Price	Delivery
70-ton 50' 6" box cars	Steel box car, out- side stake, welded construction, end steel-lined, cubic feet 5077, light- weight 62,000 approx., inside length 50'6", length over striders 52'9", length over end sill 50'6-5/8", truck centers 40'10", inside width 9'6", width overall maximum 10'4", height rail to roof 14'3-3/8"	Pickens, South Carolina	100	PICK 55200- 55299	\$30,000	\$3,000,000	May thru Novem- ber 1975 at Build- er's plant

ANNEX B

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
Interim	100.2068	42	96.7787
1	100.1909	43	96.6098
2	100.1723	44	96.4365
3	100.1526	45	96.2585
4	100.1328	46	96.0758
5	100.1110	47	95.8885
6	100.0891	48	95.6964
7	100.0671	49	95.4995
8	100.0422	50	95.2978
9	100.0153	51	95.0921
10	99.9864	52	94.8829
11	99.9545	53	94.6691
12	99.9207	54	94.4516
13	99.8847	55	94.2303
14	99.8457	56	94.0041
15	99.8002	57	93.7730
16	99.7470	58	93.5372
17	99.6898	59	93.2962
18	99.6249	60	93.0503
19	99.5522	61	92.7994
20	99.4760	62	92.5431
21	99.3956	63	92.2825
22	99.3108	64	92.0183
23	99.2224	65	91.7494
24	99.1295	66	91.4769
25	99.0321	67	91.2007
26	98.9310	68	90.9189
27	98.8269	69	90.6322
28	98.7192	70	90.3406
29	98.6072	71	90.0433
30	98.4915	72	89.7410
31	98.3722	73	89.4336
32	98.2489	74	89.1202
33	98.1212	75	88.8020
34	97.9888	76	88.4804
35	97.8524	77	88.1540
36	97.7114	78	87.8241
37	97.5657	79	87.4905
38	97.4158	80	87.1508
39	97.2624	81	86.8061
40	97.1054	82	86.4566
41	96.9439	83	86.1007

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
84	85.7397	133	61.8392
85	85.3736	134	61.2200
86	85.0010	135	60.5937
87	84.6230	136	59.9660
88	84.2417	137	59.3347
89	83.8557	138	58.7018
90	83.4664	139	58.0675
91	83.0736	140	57.4238
92	82.6740	141	56.7765
93	82.2695	142	56.1253
94	81.8602	143	55.4648
95	81.4438	144	54.8003
96	81.0224	145	54.1319
97	80.5959	146	53.4540
98	80.1623	147	52.7687
99	79.7228	148	52.0828
100	79.2803	149	51.3939
101	78.8332	150	50.7045
102	78.3830	151	50.0145
103	77.9296	152	49.3147
104	77.4687	153	48.6119
105	77.0031	154	47.9059
106	76.5327	155	47.1901
107	76.0547	156	46.4710
108	75.5718	157	45.7487
109	75.0838	158	45.0164
110	74.5881	159	44.2765
111	74.0861	160	43.5372
112	73.5814	161	42.7959
113	73.0723	162	42.0551
114	72.5606	163	41.3149
115	72.0460	164	40.5645
116	71.5233	165	39.8120
117	70.9961	166	39.0573
118	70.4643	167	38.2923
119	69.9243	168	37.5250
120	69.3795	169	36.7554
121	68.8300	170	35.9754
122	68.2720	171	35.1879
123	67.7074	172	34.4023
124	67.1405	173	33.6159
125	66.5697	174	32.8315
126	65.9966	175	32.0492
127	65.4212	176	31.2565
128	64.8372	177	30.4628
129	64.2489	178	30.0000
130	63.6565	179	30.0000
131	63.0551	180	30.0000
132	62.4494		

ANNEX C

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
Interim	20.0288	44	22.0409
1	19.1719	45	22.0565
2	19.2755	46	22.0696
3	19.3792	47	22.0802
4	19.4839	48	22.0881
5	19.5878	49	22.0934
6	19.6928	50	22.0960
7	19.7986	51	22.0970
8	19.9029	52	22.0963
9	20.0066	53	22.0933
10	20.1094	54	22.0888
11	20.2107	55	22.0827
12	20.3114	56	22.0738
13	20.4113	57	22.0626
14	20.5096	58	22.0489
15	20.6031	59	22.0323
16	20.6910	60	22.0133
17	20.7763	61	21.9917
18	20.8558	62	21.9673
19	20.9296	63	21.9408
20	21.0015	64	21.9130
21	21.0707	65	21.8832
22	21.1373	66	21.8521
23	21.2018	67	21.8196
24	21.2637	68	21.7842
25	21.3227	69	21.7465
26	21.3798	70	21.7064
27	21.4355	71	21.6633
28	21.4893	72	21.6179
29	21.5406	73	21.5702
30	21.5899	74	21.5192
31	21.6373	75	21.4661
32	21.6826	76	21.4121
33	21.7251	77	21.3562
34	21.7652	78	21.2993
35	21.8029	79	21.2416
36	21.8379	80	21.1805
37	21.8702	81	21.1175
38	21.9002	82	21.0523
39	21.9286	83	20.9839
40	21.9563	84	20.9133
41	21.9795	85	20.8407
42	22.0020	86	20.7646
43	22.0226	87	20.6862

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
88	20.6074	134	15.2940
89	20.5270	135	15.1479
90	20.4461	136	15.0044
91	20.3647	137	14.8619
92	20.2799	138	14.7223
93	20.1933	139	14.5855
94	20.1051	140	14.4444
95	20.0132	141	14.3044
96	19.9196	142	14.1653
97	19.8242	143	14.0219
98	19.7251	144	13.8795
99	19.6236	145	13.7381
100	19.5223	146	13.5924
101	19.4198	147	13.4447
102	19.3174	148	13.3010
103	19.2151	149	13.1593
104	19.1090	150	13.0218
105	19.0018	151	12.8883
106	18.8932	152	12.7508
107	18.7808	153	12.6153
108	18.6672	154	12.4819
109	18.5521	155	12.3444
110	18.4333	156	12.2089
111	18.3119	157	12.0755
112	18.1914	158	11.9380
113	18.0702	159	11.7988
114	17.9499	160	11.6651
115	17.8304	161	11.5349
116	17.7070	162	11.4103
117	17.5829	163	11.2915
118	17.4582	164	11.1688
119	17.3294	165	11.0404
120	17.1999	166	10.9336
121	17.0696	167	10.8138
122	16.9353	168	10.6975
123	16.7985	169	10.5845
124	16.6635	170	10.4678
125	16.5285	171	10.3498
126	16.3951	172	10.2394
127	16.2636	173	10.1338
128	16.1281	174	10.0361
129	15.9924	175	10.0000
130	15.8569	176	10.0000
131	15.7173	177	10.0000
132	15.5775	178	10.0000
133	15.4378	179	10.0000
		180	10.0000

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RECORDATION NO. Filed & Recorded

JUN 05 1975 -3 25 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Between

FIRST SECURITY STATE BANK,

AS Trustee for

Itel Leasing International, Inc.

Under a Trust Agreement Dated

as of March 15, 1975

and

PICKENS RAILROAD COMPANY

Dated as of March 15, 1975

[Covering 100 70-ton 50'6" Box Cars]

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1975, between FIRST SECURITY STATE BANK, a state banking corporation, not in its individual capacity but solely as Trustee pursuant to a Trust Agreement dated as of March 15, 1975, with ITEL Leasing International Inc. (said bank being hereinafter called the Lessor and said corporation being hereinafter called the Beneficiary), and PICKENS RAILROAD COMPANY, a South Carolina corporation (hereinafter called the Lessee).

WHEREAS the Lessor has entered into a Conditional Sale Agreement dated as of March 15, 1975 (hereinafter called the Conditional Sale Agreement), with NATIONAL RAILWAY UTILIZATION CORPORATION (hereinafter called the Builder), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the railroad equipment described in Annex A hereto; and

WHEREAS the Builder has assigned certain of its interests in the Conditional Sale Agreement to FIRST SECURITY BANK OF UTAH, N.A., as Agent under a Finance Agreement dated as of March 15, 1975 (said Agent hereinafter, together with its successors and assigns, called the Vendor); and

WHEREAS the Lessee desires to lease all the units of such equipment or such lesser number as are delivered, accepted and settled for under the Conditional Sale Agreement on or prior to November 30, 1975 (hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the Conditional Sale Agreement:

§ 1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Conditional Sale Agreement. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the lessor

under the Conditional Sale Agreement. Upon such delivery, the Lessee, at its own expense, will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be acceptance, to accept delivery of such Unit and to execute and deliver to the Lessor and to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Conditional Sale Agreement, stating that such Unit has been delivered, inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 4 hereof and Article 9 of the Conditional Sale Agreement; whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 2. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease:

(a) on December 1, 1975, an amount equal to the sum of (i) interest on the Purchase Price (as such term is defined in the Conditional Sale Agreement) of each Unit subject to this Lease for each day elapsed from and including the Closing Date (as such term is defined in the Conditional Sale Agreement) for such Unit to December 1, 1975, at a rate per annum equal to (x) 4% above (y) the lowest minimum lending rate publicly quoted by Bank of America, N.T.&S.A. for loans of 90-day maturities to substantial commercial borrowers as in time to time in effect, changing on the first day of the month following any change in such rate (such lowest rate being hereinafter called the Prime Rate) and (ii) interest on the Conditional Sale indebtedness (as such term is defined in the Conditional Sale Agreement) for each day elapsed from and including November 1, 1975, to December 1, 1975, at a rate per annum equal to (x) 4% above (y) the Prime Rate, (iii) .4421 of the Purchase Price of each Unit then subject to this Lease; and (iv) 8-3/4% of the Gross Revenues (as hereinafter defined) earned from each such Unit then subject to this Lease from the Closing Date for such Unit to September 1, 1975;

(b) on January 1, 1976, and on the first day of each month thereafter to and including November 1, 1990, an amount equal to the sum of (i) the principal

and interest payments then due on the Conditional Sale Indebtedness, and (ii) .2800% of the Purchase Price of each such Unit; and

(c) On January 1, 1976, and on the first day of each month thereafter to and including March 1, 1991, an amount equal to 8-3/4% of the Gross Revenues earned during the fourth month preceding the date of such payment from each such Unit then subject to this Lease.

The portions of rental payable under this § 2 which are computed on the basis of interest shall be determined on the basis of a 360-day year and actual days elapsed in each month. If any of the rental payment dates referred to above is not a business day (as defined in the Conditional Sale Agreement), the rental payment otherwise payable on such date shall be payable on the next succeeding business day.

For purposes of this § 2, the term Gross Revenues with respect to each Unit shall mean the total of all income earned and received by the Lessee for use of such Unit by others, including all income received from users pursuant to the Interstate Commerce Commission Car Hire Rate Table in effect from time to time during the term of this Lease. The Lessee will, at or within a reasonable time after the time each such monthly payment is made furnish the Lessor with a written verification of such payment in a form satisfactory to the Lessor.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease at the principal office of the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Conditional Sale Agreement and second, so long as no event of default under the Conditional Sale Agreement shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available Salt Lake City or Federal funds in the city where such payment is to be made not later than 11:00 a.m. Salt Lake City time.

As soon as reasonably possible after the execution of this Lease, the Lessor and the Lessee agree to establish

an escrow account at First Piedmont Bank & Trust Company of Greenville, South Carolina, in the name of the Lessor into which the Lessee will deposit all Adjusted Gross Revenues (as hereinafter defined) earned and received by the Lessee for the use of the Units by others. Adjusted Gross Revenues shall mean Gross Revenues (as previously defined in this § 2) minus the sum of (i) an amount equal to the monthly rental payments payable pursuant to subclauses (b) and (c) of this § 2 and (ii) an amount equal to \$2.35 per Unit per day for each day of the month in which such Gross Revenues were earned with respect to such Unit. Such adjustments to Gross Revenues will be made with respect to the months for which Gross Revenues shall have been received by the Lessee. The Lessee hereby agrees to use the funds so escrowed exclusively, and the escrow holder will be instructed to release the escrow funds only, to purchase a total of twelve new and unused standard gauge railroad box cars substantially similar to the Units. Each such unit of new equipment so purchased shall conform to the requirements for design, quality and component parts set forth in Article 2 of the Conditional Sale Agreement with respect to the Units. The Lessee agrees to grant to the Lessor a security interest in such units of railroad equipment, free and clear of any liens, unpaid charges (including taxes) encumbrances and other security interests. After the Lessee has filed an appropriate instrument with respect to the granting of such security interest, in a form satisfactory to the Lessor, in the manner set forth in § 16 hereof, the Lessor shall release the security interest granted it by the terms of the Security Agreement dated as of March 15, 1975, between the Lessor and the Lessee and the Lessor shall file an appropriate instrument in the manner set forth in § 16 hereof so releasing such interest. The Lessor agrees that interest earned on the funds so escrowed are for the account of the Lessee. Notwithstanding anything contained in this paragraph, if the Lessee has for any reason failed to purchase the twelve above-mentioned units of equipment or any thereof with the funds so escrowed or has not subjected them to the above-mentioned security interest in favor of the Lessor by December 1, 1977, the Lessee agrees that it will immediately purchase twelve such units of equipment with funds of the Lessee not in said escrow account, if necessary, and will subject such units to said security interest.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abate-

ments, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future laws to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided, unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of §§ 6, 9, and 12 hereof, shall terminate on December 1, 1990, except that the obligation of the Lessee to make the rental payments due and payable under subclause (c) of § 2 hereof shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations under this Lease and in and to the Units are subject to the rights and remedies of the Vendor under the Conditional Sale Agreement. If an event of default should occur under the Conditional Sale

Agreement, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Annex A hereto, or in the case of any Unit not therein listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the following words:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT
FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c"

or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the Conditional Sale Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Conditional Sale Agreement shall have been filed recorded and deposited and (ii) the Lessee shall have furnished to the Vendor and the Lessor an opinion of counsel to the effect set forth in subparagraph C of § 14 hereof in respect of such statement.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

§ 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States Federal income tax [and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state, county or city income taxes or franchise taxes measured by net income based on such receipts or gross receipts taxes [other than gross receipts taxes in the nature of sales or use taxes], up to the amount of any such taxes which would be payable to the state, county and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereinafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Conditional Sale Agreement. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the Conditional Sale Agreement not covered by the foregoing paragraph of this § 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to such Article.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition pursuant to this § 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

§ 6. Payment for Casualty Occurrences; Insurance.
In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences), during the term of this Lease, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor with respect thereto. The Lessee shall, on the monthly rental payment date next succeeding notice of the Casualty Occurrence, pay to the Lessor a sum equal to (i) the aggregate Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Annex B hereto referred to below and (ii) the arrears rental payable quarterly for such Unit which has accrued to such rental payment date. Concurrently with each payment of Casualty Value pursuant to this § 6 the Lessee shall file with the Lessor and the Vendor a certificate of an officer of the Lessee setting forth the Casualty Value of each Unit as to which such payment is being made. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the

proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor less reasonable expenses of disposition.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite the number of such payment date.

Except as hereinabove in this § 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

Any condemnation payments received by the Lessor in respect of Units suffering a Casualty occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this § 6. If the Lessor shall receive any such condemnation payments after the Lessee shall have made payments pursuant to this § 6 without deduction for such condemnation payments, the Lessor shall pay such condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such condemnation payments shall remain the property of the Lessor.

The Lessee will procure, maintain and pay for all risk, physical loss and damage insurance in an amount equal at all times to the Casualty Value of the Units then subject to this Lease. The Lessee warrants that the foregoing insurance coverage shall be in effect at the execution of this Lease. Such insurance shall name as additional insureds (as their interests may appear) and as the sole loss payees the Lessor and/or any holder of a security interest in the Units. Such insurance shall provide that it cannot be canceled except upon 30 days' prior written notice to the Lessor and any holder of a security interest in the Units.

§ 7. Reports. On or before March 31 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of the Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other

than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Lease, in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by § 4 hereof and Article 9 of the Conditional Sale Agreement have been preserved or replaced. The Lessor and the Vendor shall have the right by their respective agents, to inspect the Units and the Lessee's records with respect thereto, at such reasonable times as the Lessor or the Vendor may request during the continuance of this Lease.

§ 8. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and Indemnification. The Lessor makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the material, equipment or workmanship in, the Units delivered to the Lessee hereunder, and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose or as to title to the Units or any component thereof, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for account of the Lessor and/or the Lessee, as their interests may appear, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the Conditional Sale Agreement. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation,

the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor hereunder or under the Conditional Sale Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair and faithfully meet its obligations in respect of the condition of the Units upon expiration of the term of this Lease as set out in § 13 hereof.

Any and all additions to any Unit and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free of any lien, charge, security interest or other incumbrance (except for those created by the Conditional Sale Agreement) shall immediately be vested in the Lessor and the Vendor as their respective interests appear in the Unit itself.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of the Conditional Sale Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 13 of this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwith-

standing the full payment of all obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any part of the rental provided in § 2 hereof, and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as such Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred

by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

E. any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceeding shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises

of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value, if any, of the rentals which the Lessor reasonably estimates to be obtainable by the Lessor for the use of the Unit during such period, such present value to be computed in each case on a basis of 6% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental, and (iii) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall, in the reasonable opinion of the Lessor, cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the Depreciation Deduction (as defined in § 15 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 15 or any other

provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall, in the reasonable opinion of the Lessor, cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the Interest Deduction (as defined in § 15 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 15 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make rental payments regardless of any offset or claim which may be asserted by the lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 10. Return of Units Upon Default. If this Lease shall terminate pursuant to § 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall, at its own cost, expense and risk:

A. forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic

and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or such other premises as the Lessor reasonably may designate, or, in the absence of such designation, as the Lessee may select; provided, however, that such storage on the tracks of the Lessee will not be required if such storage will interfere with the operations of the railroad of the Lessee;

B. permit the Lessor to store such Units on such tracks or other premises at the risk of the Lessee until such Units have been sold, leased or otherwise disposed of by the Lessor; and

C. transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. In the event that the Units or any thereof are sold pursuant to the exercise of the Vendor's remedies under the Conditional Sale Agreement, the Lessee shall pay to the Vendor the per diem interchange for each such Unit which shall not have been assembled, delivered and stored, as hereinbefore provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser thereof. The Lessee agrees to provide the storage facilities for the Vendor specified in the second paragraph of Article 16 of the Con-

ditional Sale Agreement and to permit the inspection provided therein.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor.

So long as there shall be no default under this Lease or under the Conditional Sale Agreement, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the Conditional Sale Agreement, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

So long as there shall be no default under this Lease or the Conditional Sale Agreement, the Lessee shall be entitled to the possession of the Units and shall be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines or railroad over which the Lessee

or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and (iii) to sublease any Unit or Units to other companies incorporated under the laws of any state of the United States or the District of Columbia, for use in connection with their operations, but only upon and subject to all the terms and conditions of this Lease and the Conditional Sale Agreement; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation (subject to the provisions of § 2 hereof) for such use from other railroads and companies so using any of the Units.

Nothing in this § 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition be in any default under any provision of this Lease.

All the rights of the Lessor hereunder (including but not limited to the rights under §§ 5, 6, 9 and 15 hereof) shall inure to the benefit of the Lessor's assigns, and whenever the term Lessor is used in this Lease, it shall apply and refer to each assignee of the Lessor.

§ 12. Right of First Refusal; Termination. In the event the Lessor elects to lease or to sell the Units to third parties at the expiration of the initial or any extended term of this Lease, as the case may be, the Lessor shall in a commercially reasonable manner solicit offers to lease or buy such Units, as the case may be, and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable offer, and the Lessee shall have a right of first refusal exercisable by written notice, delivered within

15 days of the receipt of said copy, to lease or purchase such Units, as the case may be, at the rental or sale price set forth in such offer.

The Lessee shall have the right, at its option, on at least 60 days' prior written notice to the Lessor, to terminate this Lease or any extended term thereof on the first rental payment date following the expiration of such notice. On such rental payment date the Lessee shall pay to the Lessor the Termination Value (as hereinafter defined) for all Units then subject to this Lease as of the date of such payment in accordance with Annex C hereto. The Termination Value of each such Unit as of such rental payment date shall be that percentage of the Purchase Price of each such Unit then subject to this Lease as is set forth in Annex C hereto opposite the number of such rental payment date. Upon the making of such payment by the Lessee in respect of each such Unit, the rental for such Unit shall cease to accrue, the term of this Lease shall terminate and the Lessee shall return each such Unit to the Lessor pursuant to § 13 hereof.

On or prior to December 1, 1976, but not before June 1, 1976, the Lessor shall have the right, at its option, on at least 180 days' notice to terminate this Lease if it is unable, in good faith, to arrange for refinancing of the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) at an interest rate per annum of not more than 12%. If the Lessor so terminates this Lease, the Lessee shall have no further obligation with respect to the Units other than to furnish such documentation to Lessor as the Lessor reasonably determines is necessary to assign all of the Lessee's interest in the Units, to transfer as soon as reasonably possible to the Lessor any Gross Revenues earned on the Units after such date and to furnish documentation satisfactory to the Lessor as soon as reasonably possible establishing the location of each such Unit.

§ 13. Return of Units Upon Expiration of Term.
As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, the Lessee will (unless such Unit is sold to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or other premises as the Lessor reasonably may designate, provided that such storage on the Lessee's storage tracks does not interfere with the

operation of the Railroad of the Lessee or such other place or places as the Lessor may reasonably designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks or other premises for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. The Lessee agrees to transport the Units during said three-month period to any reasonable place designated by the Lessor, the movement of such Units to such places (other than to the storage tracks of the Lessee) to be at the expense and risk of the Lessor except that the Lessee shall pay any such expenses of the Lessor to the extent of any Gross Revenues (as defined in § 2 hereof) earned by such Units during such movement, and the Lessee shall use its best efforts to realize such Gross Revenues on such Units during such movement. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this § 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear expected, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction.

During the period of time during which the Units are being returned on or after the original or any extended term of this Lease, the Lessee will pay to the Lessor as "holdover rent" for each such Unit being returned, the daily equivalent of the rental payment in effect pursuant to sub-

clause (b) of § 2 of this Lease on the last rental payment date thereunder for each day elapsed from the date of expiration of the original or any extended term of this Lease, as the case may be, to the date each such Unit is returned to the Lessor pursuant to this § 13.

§ 14. Representations and Warranties of Lessee and Opinion of Counsel. The Lessee represents and warrants as follows:

A. the Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of the State of South Carolina, with adequate corporate power to own its properties and to carry on its business as now conducted and to enter into this Lease;

B. this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a legal, valid and binding agreement of the Lessee, enforceable in accordance with its terms;

C. this Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, and such filing and recordation will protect the Lessor's interests in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state, local or foreign government or agency thereof is necessary in order to protect the interests of the Lessor in and to the Units in the United States of America;

D. no approval is required from any public regulatory body with respect to entering into or performance of this Lease;

E. the entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound;

F. no mortgage, deed of trust or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessee, now attaches or

hereafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units; and

G. all Units will qualify for "incentive income" as that term is defined in the Interstate Commerce Commission Car Hire Rate Tables, in effect as of the Closing Date for such Units.

On each Closing Date (as defined in the Conditional Sale Agreement) the Lessee will deliver to the Lessor and the Vendor counterparts of the written opinion of outside counsel for the Lessee, addressed to the Lessor and the Vendor, in scope and substance satisfactory to the Lessor, the Vendor and their respective counsel, to the effect set forth in subparagraphs A through G in the immediately preceding paragraph.

§ 15. Federal Income Taxes.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) the maximum depreciation (hereinafter called the Depreciation Deduction)

(A) based on a 12-year depreciable life authorized with respect to a Unit pursuant to Section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25 in accordance with the Revenue Procedure 72-10, as supplemented to the date hereof, taking into account an estimated Gross Salvage Value of 20% of the Purchase Price (as defined in the Conditional Sale Agreement) of such Unit which will be reduced by 10% as provided in Section 167(f) of the Code.

(B) utilizing either the "modified half-year" or the "half-year" convention pursuant to Reg. 1.167(a)-11(c)(2), and

(C) using a method of depreciation consisting initially of double declining balance method and thereafter switching to the sum-of-the-years digits

method without the consent of the Commissioner of Internal Revenue pursuant to Section 167(m) of the Code and Reg. 1.167(a)-11(c); and

(ii) the deduction under Section 163 of the Code (hereinafter called the Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to the Conditional Sale Indebtedness.

(b) If the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to Lessor, all or any portion of the Interest Deduction or the Depreciation Deduction as are provided to an owner of property with respect to a Unit (hereinafter called a Loss), then the monthly rental rate, Casualty Values (as defined in § 7 hereof) and Termination Values (as defined in § 12 hereof) applicable to such monthly rental payment date after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's net return and after-tax cash flow over the term of the Lease in respect of such Unit to equal the net return and after-tax cash flow that would have been available if the Lessor had been entitled to utilization of all of the Interest Deduction or the Depreciation Deduction and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor attributable to the Loss.

In determining any adjustment in the monthly rental rate, Casualty values and Termination Values under this § 15(b), Lessor shall give due consideration to (i) any subsequent tax benefits to the Lessor as a result of a Loss or attributable to the exclusion from Lessor's income which would have otherwise been includible therein or attributable to the amounts by which the deduction for depreciation in later years will exceed the amounts which would have been allowable had there not been reductions in the amounts of depreciation allowed for earlier years and (ii) the fact that state and local income taxes are deductible for Federal income tax purposes.

(c) For purposes of this § 15, a Loss shall occur upon the earliest of (1) the happening of any event (such

as disposition or change in use of any Unit) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. The Lessor shall be responsible for, and shall not be entitled to a payment under this Section on account of, any Loss due to one or more of the following events: (1) a disposition due to sale of the Unit or the lease thereof by the Lessor prior to any default by the Lessee, or (2) a failure of the Lessor to timely or properly claim the Interest Deduction or Depreciation Deduction for the Unit in the tax return of the Lessor, or (3) a disqualifying change in the nature of the Lessor's business or liquidation thereof, or (4) a foreclosure by any person holding through the Lessor of a lien on the Unit, which foreclosure results solely from an act of the Lessor, or (5) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value, if such Casualty Value or Termination Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section, or (6) the failure of the Lessor to have sufficient taxable income against which to apply such Depreciation Deduction or Interest Deduction.

In the event (i) Lessor proposes to make a payment to the Internal Revenue Service of a tax increase resulting from a Loss, (ii) there is an adjustment of the tax return of the Lessor to reflect such a Loss, or (iii) a claim shall be made by the Internal Revenue Service with respect to the disallowance in whole or in part of the Depreciation Deduction or the Interest Deduction, the Lessor hereby agrees promptly to notify Lessee of such event and not to make payment of such tax until the 30-day period referred to in (a) of the following sentence shall have expired. The Lessor agrees to take such action in connection with contesting such Loss, adjustment or claim as Lessee shall reasonably request from time to time, provided that: (A) within 30 days after receipt by Lessee of the notice of such event referred to above, Lessee shall have requested that the Lessor continue to claim the deduction being threatened or contest any such Loss, adjustment, claim or assertion of the Internal Revenue Service, (B) the Lessor, at its sole option, but after giving consideration to any recommendation by Lessee, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such Loss, adjustment or claim and may, at its option,

either pay the tax claimed and sue for a refund in the appropriate United States District Court and/or the United States Court of Claims, as the Lessor shall elect, or contest such claim in the Tax Court of the United States, (C) Lessee shall, if requested by the Lessor to do so, have furnished the Lessor with an opinion of independent tax counsel satisfactory to the Lessor to the effect that a meritorious defense exists to the claim or assertion of the Internal Revenue Service and (D) Lessee shall have indemnified the Lessor in a manner satisfactory to Lessor for any liability or loss which the Lessor may incur as the result of continuing to claim the deduction being threatened or contesting such claim and shall have agreed to pay the Lessor on demand all costs and expenses which the Lessor may incur in connection with continuing to claim such deduction or contesting such claim, including, without limitation, (x) reasonable attorneys' and accountants' fees and disbursements, and (y) the amount of any interest or penalty which may ultimately be payable to the United States or any state as the result of contesting such claim. If a refund with respect to a Unit of income tax is obtained with respect to a Loss and the monthly rental rate has been increased to reflect such Loss, the monthly rental rate applicable to such unit shall, on and after the next succeeding monthly rental payment date, be reduced by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's net return and after-tax cash flow over the term of the Lease in respect of such item to equal the net return and after-tax cash flow that would have been realized by the Lessor prior to such Loss and the Lessor shall forthwith pay to the Lessee any interest paid by the United States on any such refund. If the term of this Lease has expired or is insufficient to permit Lessee to recover the amount of the reduction provided under the preceding sentence, the amount of such reduction shall forthwith be paid to the Lessee by the Lessor.

(d) All the Lessor's rights and privileges arising from the indemnities contained in this § 15 shall survive the expiration or other termination of this Lease with respect to any or all items leased hereunder, and such indemnities are expressly made for the benefit of, and shall be enforceable by the Lessor, its successors and assigns.

(e) The Lessor will make, for each taxable year of the Lessee in which possession of the Units is transferred under this Lease by the Lessor to the Lessee, an irrevocable

general election satisfactory to the Lessee as conforming to the requirements and regulations promulgated under the Code, as the same may from time to time be amended (the "Regulations") to treat the Lessee as having purchased all the Units during such taxable year for purposes of any Investment Tax Credit or Job Development Credit allowed by Section 38 and related sections of the Code which may be applicable with respect to the Units. The Lessor shall further deliver timely statements to the Lessee evidencing such general election and complying with the Regulations; it will make filings with the Internal Revenue Service required by the Regulations and requested by the Lessee, and it will do or perform any other act desirable or necessary to assign to the Lessee, with respect to the Units, possession of which is transferred by the Lessor to the Lessee, any such credit against Federal income taxes afforded by the Code, as the same may from time to time be amended, with respect to the purchase or acquisition of the Units.

§ 16. Recording; Expenses. Prior to the delivery and acceptance hereunder of any Unit, the Lessee will cause this Lease to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, recording and depositing and refiling, reregistering, rerecording and redepositing required of the Lessor under Article 18 of the Conditional Sale Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the Lessor, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Conditional Sale Agreement or the first assignment thereof by the Builder, and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording, depositing, refiling, reregistering, rerecording and/or redepositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

The Lessor will pay the expenses of financing (including commissions, legal fees and printing, etc.) and other related expenses normally associated with such trans-

action. The Lessee will pay its own legal fees and other expenses (including expenses and fees imposed or incurred in carrying out its responsibilities under this § 16).

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also, to the extent legally enforceable, an amount equal to 1% per annum in excess of the rate payable on the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement) for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, c/o First Security Bank of Utah, N.A., attention: Trust Department, Corporate Division, 79 South Main Street, Salt Lake City, Utah 84111, with a copy to the Beneficiary at One Embarcadero Center, San Francisco, California 94111, attention of IteL Leasing Corporation, Contract Administrator;

if to the Lessee, at P. O. Box 8931, Greeneville, South Carolina 29204;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

§ 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited

or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements,

oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

§ 20. Execution. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although for convenience this Lease is dated as of the date first above set forth, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of South Carolina; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, registering, recording or depositing hereof and of any assignment hereof or out of the marking on the Units as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, registered, recorded or deposited and any rights arising out of the marking on the Units.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]


Authorized Officer

Attest:

Authorized Officer

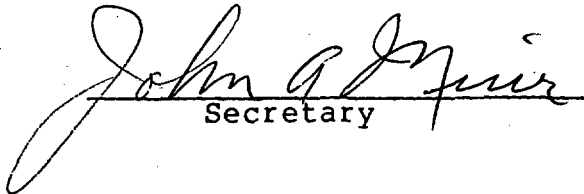
PICKENS RAILROAD COMPANY,

by

~~Vice~~ President

[Corporate Seal]

Attest:


Secretary

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1975, before me
personally appeared , to me personally
known, who, being by me duly sworn, says that he is an autho-
rized officer of FIRST SECURITY STATE BANK, that one of
the seals affixed to the foregoing instrument is the corpo-
rate seal of said corporation, that said instrument was
signed and sealed on behalf of said corporation by authority
of its Board of Directors, and he acknowledged that the
execution of the foregoing instrument was the free act and
deed of said corporation.

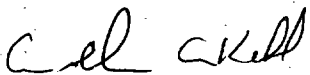
Notary Public

[Notarial Seal]

My Commission Expires

STATE OF SOUTH CAROLINA,)
) ss.:
COUNTY OF GREENVILLE,)

On this 4 day of June 1975, before me
personally appeared G. Morris, to me personally
known, who, being by me duly sworn, says that he is Vice
President of PICKENS RAILROAD COMPANY, that one of the seals
affixed to the foregoing instrument is the corporate seal
of said corporation, that said instrument was signed and
sealed on behalf of said corporation by authority of its
Board of Directors, and he acknowledged that the execution
of the foregoing instrument was the free act and deed of
said corporation.



Notary Public

[Notarial Seal]

My Commission Expires 11/19/79

ANNEX A

Type	Builder's Specifications	Builder's Plant	Maximum Quantity	Lessee's Road Numbers (Both Inclusive)	Maximum Unit Base Price	Total Base Price	Delivery
70-ton 50' 6" box cars	Steel box car, out- side stake, welded construction, end steel-lined, cubic feet 5077, light- weight 62,000 approx., inside length 50'6", length over striders 52'9", length over end sill 50'6-5/8", truck centers 40'10", inside width 9'6", width overall maximum 10'4", height rail to roof 14'3-3/8"	Pickens, South Carolina	100	PICK 55200- 55299	\$30,000	\$3,000,000	May thru Novem- ber 1975 at Build- er's plant

ANNEX B

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
Interim	100.2068	42	96.7787
1	100.1909	43	96.6098
2	100.1723	44	96.4365
3	100.1526	45	96.2585
4	100.1328	46	96.0758
5	100.1110	47	95.8885
6	100.0891	48	95.6964
7	100.0671	49	95.4995
8	100.0422	50	95.2978
9	100.0153	51	95.0921
10	99.9864	52	94.8829
11	99.9545	53	94.6691
12	99.9207	54	94.4516
13	99.8847	55	94.2303
14	99.8457	56	94.0041
15	99.8002	57	93.7730
16	99.7470	58	93.5372
17	99.6898	59	93.2962
18	99.6249	60	93.0503
19	99.5522	61	92.7994
20	99.4760	62	92.5431
21	99.3956	63	92.2825
22	99.3108	64	92.0183
23	99.2224	65	91.7494
24	99.1295	66	91.4769
25	99.0321	67	91.2007
26	98.9310	68	90.9189
27	98.8269	69	90.6322
28	98.7192	70	90.3406
29	98.6072	71	90.0433
30	98.4915	72	89.7410
31	98.3722	73	89.4336
32	98.2489	74	89.1202
33	98.1212	75	88.8020
34	97.9888	76	88.4804
35	97.8524	77	88.1540
36	97.7114	78	87.8241
37	97.5657	79	87.4905
38	97.4158	80	87.1508
39	97.2624	81	86.8061
40	97.1054	82	86.4566
41	96.9439	83	86.1007

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
84	85.7397	133	61.8392
85	85.3736	134	61.2200
86	85.0010	135	60.5937
87	84.6230	136	59.9660
88	84.2417	137	59.3347
89	83.8557	138	58.7018
90	83.4664	139	58.0675
91	83.0736	140	57.4238
92	82.6740	141	56.7765
93	82.2695	142	56.1253
94	81.8602	143	55.4648
95	81.4438	144	54.8003
96	81.0224	145	54.1319
97	80.5959	146	53.4540
98	80.1623	147	52.7687
99	79.7228	148	52.0828
100	79.2803	149	51.3939
101	78.8332	150	50.7045
102	78.3830	151	50.0145
103	77.9296	152	49.3147
104	77.4687	153	48.6119
105	77.0031	154	47.9059
106	76.5327	155	47.1901
107	76.0547	156	46.4710
108	75.5718	157	45.7487
109	75.0838	158	45.0164
110	74.5881	159	44.2765
111	74.0861	160	43.5372
112	73.5814	161	42.7959
113	73.0723	162	42.0551
114	72.5606	163	41.3149
115	72.0460	164	40.5645
116	71.5233	165	39.8120
117	70.9961	166	39.0573
118	70.4643	167	38.2923
119	69.9243	168	37.5250
120	69.3795	169	36.7554
121	68.8300	170	35.9754
122	68.2720	171	35.1879
123	67.7074	172	34.4023
124	67.1405	173	33.6159
125	66.5697	174	32.8315
126	65.9966	175	32.0492
127	65.4212	176	31.2565
128	64.8372	177	30.4628
129	64.2489	178	30.0000
130	63.6565	179	30.0000
131	63.0551	180	30.0000
132	62.4494		

ANNEX C

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
Interim	20.0288	44	22.0409
1	19.1719	45	22.0565
2	19.2755	46	22.0696
3	19.3792	47	22.0802
4	19.4839	48	22.0881
5	19.5878	49	22.0934
6	19.6928	50	22.0960
7	19.7986	51	22.0970
8	19.9029	52	22.0963
9	20.0066	53	22.0933
10	20.1094	54	22.0888
11	20.2107	55	22.0827
12	20.3114	56	22.0738
13	20.4113	57	22.0626
14	20.5096	58	22.0489
15	20.6031	59	22.0323
16	20.6910	60	22.0133
17	20.7763	61	21.9917
18	20.8558	62	21.9673
19	20.9296	63	21.9408
20	21.0015	64	21.9130
21	21.0707	65	21.8832
22	21.1373	66	21.8521
23	21.2018	67	21.8196
24	21.2637	68	21.7842
25	21.3227	69	21.7465
26	21.3798	70	21.7064
27	21.4355	71	21.6633
28	21.4893	72	21.6179
29	21.5406	73	21.5702
30	21.5899	74	21.5192
31	21.6373	75	21.4661
32	21.6826	76	21.4121
33	21.7251	77	21.3562
34	21.7652	78	21.2993
35	21.8029	79	21.2416
36	21.8379	80	21.1805
37	21.8702	81	21.1175
38	21.9002	82	21.0523
39	21.9286	83	20.9839
40	21.9563	84	20.9133
41	21.9795	85	20.8407
42	22.0020	86	20.7646
43	22.0226	87	20.6862

<u>Payment No.</u>	<u>Percentage</u>	<u>Payment No.</u>	<u>Percentage</u>
88	20.6074	134	15.2940
89	20.5270	135	15.1479
90	20.4461	136	15.0044
91	20.3647	137	14.8619
92	20.2799	138	14.7223
93	20.1933	139	14.5855
94	20.1051	140	14.4444
95	20.0132	141	14.3044
96	19.9196	142	14.1653
97	19.8242	143	14.0219
98	19.7251	144	13.8795
99	19.6236	145	13.7381
100	19.5223	146	13.5924
101	19.4198	147	13.4447
102	19.3174	148	13.3010
103	19.2151	149	13.1593
104	19.1090	150	13.0218
105	19.0018	151	12.8883
106	18.8932	152	12.7508
107	18.7808	153	12.6153
108	18.6672	154	12.4819
109	18.5521	155	12.3444
110	18.4333	156	12.2089
111	18.3119	157	12.0755
112	18.1914	158	11.9380
113	18.0702	159	11.7988
114	17.9499	160	11.6651
115	17.8304	161	11.5349
116	17.7070	162	11.4103
117	17.5829	163	11.2915
118	17.4582	164	11.1688
119	17.3294	165	11.0404
120	17.1999	166	10.9336
121	17.0696	167	10.8138
122	16.9353	168	10.6975
123	16.7985	169	10.5845
124	16.6635	170	10.4678
125	16.5285	171	10.3498
126	16.3951	172	10.2394
127	16.2636	173	10.1338
128	16.1281	174	10.0361
129	15.9924	175	10.0000
130	15.8569	176	10.0000
131	15.7173	177	10.0000
132	15.5775	178	10.0000
133	15.4378	179	10.0000
		180	10.0000